



County of Los Angeles CHIEF EXECUTIVE OFFICE

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May 26, 2015

To: Supervisor Michael D. Antonovich, Mayor
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Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Sachi A. Hamai
Interim Chief Executive Officer
Sheryl L. Spiller
Sheryl L. Spiller
Director, Department of Public Social Services

AGENDA ITEM #25-B, MARCH 24, 2015 - REPORT ON THE FINANCIAL IMPACT TO LOS ANGELES COUNTY OF WAGE INCREASES OF \$13.25 OR \$15.25 PER HOUR AND THREE DAYS OF PAID SICK LEAVE FOR IN-HOME SUPPORTIVE SERVICE WORKERS

On March 24, 2015, the Board directed the Interim Chief Executive Officer and the Director of Public Social Services to report back on the financial impact to the County of Los Angeles of approving a wage increase of \$13.25 or \$15.25 per hour and three days paid sick leave for In-Home Supportive Services (IHSS) workers that would become effective in Fiscal Year (FY) 2015-16.

As requested, this report provides the analysis of the financial impact to the County of Los Angeles if the Personal Assistance Services Council (PASC) approves wage increases and/or paid sick leave for IHSS workers. Currently, the County is under a Maintenance of Effort (MOE) for IHSS. The Fiscal Year (FY) 2014-15 IHSS MOE is \$355 million, increasing to \$367 million in FY 2015-16 due to the 3.5 percent annual adjustment specified in State law. The MOE includes the County's costs for provider wages/benefits, as well as IHSS and PASC administration.

"To Enrich Lives Through Effective And Caring Service"

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Projected Wage Increase Costs

As detailed on the attachment, the ongoing, full-year, annual cost of increasing wages to \$13.25/hour or \$15.25/hour in FY 2015-16 would be:

Wage	Full-Year Annual County Cost of Increase
\$13.25	\$211.4 million
\$15.25	\$374.1 million

Our calculations are based on the current number of paid hours for the 151,000 IHSS workers in Los Angeles County.

It is important to note that:

- Effective July 1, 2015, the Statewide Authority will assume collective bargaining responsibility from the local public authority (PASC); as a result, the Statewide Authority will assume the MOU between PASC and the providers' union. The current MOU between the PASC and the providers' union does not include any future wage or health benefit increases. If your Board wishes to authorize the PASC to negotiate an increase in the IHSS Provider wage, it must be incorporated into the MOU between the PASC and the Providers' union before the July 1, 2015 shift to the Statewide Authority.
- After July 1, 2015, the County and the PASC will no longer have a role in determining wages for IHSS workers in Los Angeles County.
- Effective January 1, 2016, the state minimum wage increases to \$10.00 per hour. Our calculations assume that any IHSS provider wage increase, authorized by the Board, would occur after January 1, 2016, since the County will have no share of cost for the \$0.35/hour increase from the current \$9.65/hour to \$10.00/hour due to this State minimum wage increase.

An additional consideration involves the possibility of a prospective wage increase. Though action by the Board and the PASC to increase wages would have to occur prior to July 1, 2015, the effective date of any such wage increase(s) could be subsequent to July 1, 2015. However, this type of prospective wage increase is not addressed in the IHSS statutory scheme or appellate case law. Presently, the State has the authority to review and approve locally negotiated rates and other economic terms. If the State does not approve them, a county shall pay the entire nonfederal share of the cost increase. So, if a wage increase is negotiated prior to the shift in collective bargaining to the Statewide Authority with an effective date subsequent to the shift, it is unclear whether the State will ultimately approve the rate. If not, the County could be required

to pay the entire nonfederal share of the negotiated wage increase. This risk could be mitigated if the PASC-union MOU includes a provision that, if the State does not approve the prospective wage increase, then that provision does not take effect and the County is not required to implement the related rate increases.

Sick Pay for IHSS Providers

Under current State law, there is no federal or State participation for sick pay; therefore, the County would be responsible for 100 percent of the cost of sick pay for IHSS workers. The annual cost of providing sick pay would vary based on the wage rate:

Wage Rate	Annual Cost of 3 Days of Sick Pay
\$9.65	\$38.2 million
\$10.00	\$39.6 million
\$11.18	\$44.3 million
\$13.25	\$52.5 million
\$15.25	\$60.5 million

There is current State legislation (AB 11) that would extend sick pay to IHSS workers, effective July 1, 2016. Under the IHSS Maintenance of Effort (MOE) financing structure, if sick pay is extended to IHSS providers under State law, there would be no cost to the County. The CEO and DPSS will continue to monitor this legislation.

If you have any questions or require additional information, please contact us, or your staff may contact David Seidenfeld, Manager, CEO, at (213) 974-1457 or Jose Perez, Assistant Director, DPSS, at (562) 908-8633.

SH:SLS:cl/yjf

c: County Counsel
Acting Executive Officer, Board of Supervisors

Attachment

**Potential FY 2015-16 IHSS Worker Wage Increases
Projected Full-Year Annual County Cost**

Hourly Wage Increase		Full-Year County Cost (in millions)	Comments
\$0.35 minimum wage increase from \$9.65 to \$10.00		\$0.0	State minimum wage increase on January 1, 2016. Not a locally negotiated increase; no County impact.
\$1.00 State Cap increase from \$10.00 to \$11.00	In L.A. City	\$11.9	Full State participation; County participation at 16.29%.
	Outside L.A. City	\$16.6	
\$0.18 increase to \$11.18/hour from \$11.00 to \$11.18	In L.A. City	\$6.1	No State participation if increase occurs in FY 15-16. Full State participation if increase occurs in FY 16-17; County cost would be reduced from \$14.6 m to \$5.1 m.
	Outside L.A. City	\$8.5	
Total County Impact: \$11.18/hour		\$43.1	County cost would be reduced to \$33.6 m if increase from \$11.00 to \$11.18 were deferred until FY 16-17.
\$2.07 increase from \$11.18 to \$13.25	In L.A. City	\$70.1	No State participation due to \$12.10 State cap exceeded. County participation increases to 46.55% for the wage increase.
	Outside L.A. City	\$98.2	
Total County Impact: \$13.25/hour		\$211.4	
\$2.00 increase from \$13.25 to \$15.25	In L.A. City	\$67.8	No State participation due to \$12.10 State cap exceeded. County participation increases to 46.55% for the wage increase.
	Outside L.A. City	\$94.9	
Total County Impact: \$15.25/hour		\$374.1	

Notes:

1 - This chart reflects the full-year annual county cost of any particular increase. The annual cost in any particular fiscal year would depend on the effective date of the increase. For example, the FY 2015-16 cost of an increase from \$10.00/hour to \$11.00/hour effective March 2016 would be one-third of the amount shown on the chart, because the increase would only be in effect from March - June.

2 - It is possible, but by no means certain, that a city minimum wage increase would reduce the County's cost for an IHSS provider wage increase. For illustration purposes, this chart separately identifies the cost of an IHSS provider wage increase for providers delivering IHSS to the 41.65% of IHSS consumers who reside in the City of Los Angeles. If IHSS providers working in the City of Los Angeles received a wage increase as a result of a city minimum wage increase and the County did not have to share in the cost of such an increase, the County's cost for a wage increase would only apply outside the City of Los Angeles. The same analysis would apply to minimum wage increases in other cities, and potentially to a minimum wage increase in the unincorporated area as well.